

MINUTES

MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 27, 2003 at 5:15 P.M., in Room 317-B and C Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. Edward Butcher (R)
Sen. Mike Cooney (D)
Sen. John Esp (R)
Sen. Royal Johnson (R)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Bea McCarthy (D)
Sen. Linda Nelson (D)
Sen. Trudi Schmidt (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Joseph (Joe) Tropila (D)

Members Excused: Sen. John Cobb (R)
Sen. Emily Stonington (D)
Sen. Jon Tester (D)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note:

Audio-only Committees: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 16, 1/17/2003; HB 46, 1/17/2003;
HB 162, 1/20/2003

HEARING ON HB 16

Sponsor: REP. DICK HAINES, HD 63, Missoula

Proponents: Ann Bauchman, Centralized Services Administrator
DNRC

Opponents: None

Opening Statement by Sponsor:

REP. DICK HAINES, HD 63, Missoula opened on HB 16, a bill appropriating money to the **Department of Natural Resources and Conservation** for fire suppression costs for the biennium ending June 30, 2003. **DNRC** budgets for estimated fire suppression and when suppression costs outrun the budget **DNRC** borrows from other funding sources and asks for a supplemental in the next legislative session. He explained a handout on the fire supplemental that outlines the fire costs from FY02 and the unfunded expenditures. **EXHIBIT(fcs17a01)** He explained **DNRC** was currently running on empty and immediate action was necessary.

Proponents' Testimony:

Ann Bauchman, Centralized Services Administrator DNRC, testified about the active fire season in Montana in the summer and fall in 2001. In the spring of 2002, Montana was wet but neighboring states of New Mexico and Arizona required support costing about \$7.5 million. Money was borrowed from other divisions within the agency and those divisions will be out of money. She asked for support for the bill.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. KEITH BALES, SD 1, Otter, asked about reimbursement from the states that required assistance and if that had been received.

Ms. Bauchman advised costs both for equipment and personal services are paid up front and the federal or state entities involved are billed. **DNRC** received all of those reimbursements and they were deposited into the general fund.

Closing by Sponsor:

REP. HAINES closed on the bill and explained with the money in the general fund, the agency has no access to it.

CHAIRMAN TOM ZOOK said he understood they would be out of money early in February.

Chuck Swysgood, Office of Budget and Program Planning, advised some of the divisions would be out of money at the end of the month.

HEARING ON HB 46

Sponsor: REP. DICK HAINES, HD 63, Missoula

Proponents: Anna Miller, DNRC
Alec Hansen, League of Cities and Towns

Opponents: None

Opening Statement by Sponsor:

REP. DICK HAINES, HD 63, Missoula, opened on HB 46, a bill to revise water revolving fund loan programs. The Water Pollution Control State Revolving Fund has been around since 1991, and the Drinking Water State Revolving Fund since 1997. The state provides 20% from the sale of general obligation bonds and the federal government matches with 80%. The money is used to fund various water improvement and water pollution control projects. As the loans are paid back from the cities the money is loaned to, it is used to pay off the general obligation bonds and the state gets to keep the federal dollars. Those dollars are recycled back into the program. The program is coordinated by the **Department of Environmental Quality** for technical work and **DNRC** coordinates the financial aspect. The loan interest rate is no more than 4% and hardship communities qualify for as low as 3%. As new loans are made, the general obligation bond authority is reduced by the amount being loaned out and that is the reason for the bill. **EXHIBIT(fcs17a02)**

Proponents' Testimony:

Anna Miller, DNRC, read from written testimony and explained several and graphs, maps and spreadsheets. **EXHIBIT(fcs17a03)**

Alec Hansen, League of Cities and Towns, testified in support of the bill on behalf of cities and towns across Montana. He explained ten years ago Montana put together a combination of state and federal funds and these loans are part of the package. There is a whole array of financial assistance available for cities and towns for projects. The revolving loan program has been a central element. He advised the bill passed in the House

99-1 and he hoped the Senate could muster a 2/3 majority to pass the bill.

Don Hargrove, Gallatin County advised the extra \$10 million increase in authority was a matter of keeping up with inflation. He said the programs were extremely important with low interest and little risk.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

VICE-CHAIRMEN BILL TASH asked if the increased from \$30 million to \$40 million in loan authority would provide loans for irrigation and water projects.

REP. HAINES advised he was not familiar with that.

SEN. BEA MCCARTHY asked about the counties that had not applied and if it was due to running out of funds.

Ms. Miller advised they have not had to refuse anyone since they have been in operation. In the eastern part of the state communities tend to have higher cost per unit projects and often qualify for grants.

SEN. MCCARTHY asked if they are able to fund the communities to the total needs they request and **Ms. Miller** replied yes.

SEN. RICK LAIBLE asked if some of the funding is also used for landfills.

Ms. Miller indicated uses include water, waste water, landfills and loans to **DNRC** to provide money to private groups.

SEN. LAIBLE asked about the loans to **DNRC**.

Ms. Miller advised the **DNRC** takes out a loan and then takes applications from private irrigators.

SEN. COREY STAPLETON asked how long ago the authority became \$30 million.

Ms. Miller stated that the program started in 1991 with an initial \$10 million. They have come back to the legislature to ask for additional authority as federal funds to match it become available. The authority being asked for is for the federal authority that will come in 2003, 2004 and 2005.

SEN. STAPLETON asked if it was like a credit card with an automatically increasing credit line of 5 to 10% a year.

Ms. Miller stated they were matching the federal dollars. If there is \$100 million in federal money available that is what they want to match. If they have federal money left they can't match, they can't loan that out to people. They want to be able to maximize the federal dollars they bring into the state so they don't turn anybody away.

SEN. ROYAL JOHNSON asked at what point does the state of Montana say that's all the debt you should be carrying. He expressed concern about the debt belonging to the state if communities don't pay.

Ms. Miller maintained they have a reserve fund of one year's debt service payments if communities can't pay. They require communities to have one year's debt service reserved so if there is a fire or flood and their systems go down, communities can still make the payments.

SEN. ROYAL JOHNSON asked about the total debt due to be paid by the state of Montana.

Ms. Miller indicated the bonds are backed with the general fund and because of the reserves there is a good basis of credit should borrowers not pay. Because of the 80% federal match, only 20% of the money being loaned is from the state. She advised Standard and Poors were very confident there is a secure basis of repayment.

SEN. JOHNSON advised the state can only bear so much general obligation debt and **Ms. Miller** agreed. He asked to what point.

Ms. Miller stated she wasn't sure. At this point in time the debt that Montana has is pretty small and they could actually take on more.

{Tape: 1; Side: B}

SEN. MIKE COONEY advised before the bonds are put out for sale, there is a substantial amount of work done by the Bond Council and the Board of Examiners has complete authority to examine them. He expressed confidence that it was done extremely carefully and **Ms. Miller** confirmed that.

SEN. ED BUTCHER asked if the state's bonding authority is largely backed by the coal trust and if that gives us our bond rating.

CHAIRMAN TOM ZOOK advised it depends on what kind of bond. General obligation bonds are in that category, he thought.

SEN. JOHNSON advised it depends on what's pledged in addition.

Ms. Miller maintained these bonds are not backed by the coal severance tax fund, they are backed by the taxation and authority that the general fund has to collect taxes. They do have severance tax bonds that are backed by the fund.

SEN. BUTCHER thought the ultimate backing was the big asset in the coal trust.

CHAIRMAN ZOOK advised someday the "bond lady" will come in and bring everyone up to date.

Closing by Sponsor:

REP. HAINES closed on the bill.

HEARING ON HB 162

Sponsor: **REP. TIM CALLAHAN, HD 43, Great Falls**

Proponents: **Gene Huntington, Gambling Control Division**
Mark Staples, Montana Tavern Association
Rich Miller, Executive Director Gaming Industry Association
Rhonda Carpenter, Montana Coin Machine Operators Association

Opponents:

Opening Statement by Sponsor:

REP. TIM CALLAHAN, HD 43, Great Falls, opened on HB 162, which would increase the video gambling machine annual permit fee and increase the amount of the fee that is used by the **Department of Justice** to administer the video gambling machine law. He advised the bill was at the request of the **Department of Justice** and deals with the **Gambling Control Division**. Legislative financial reports indicated the state special revenue account for administering the law was in some difficulty. In 2002, the division took steps including reducing spending by \$370,000 and dropping some FTE. It is estimated the account may be about \$220,000 in the red in the next biennium. In the interim the gaming advisory council met; the council is made up of members of the gaming industry, the public, the legislature and local

governments. The council came forward with HB 162 to raise the license fee on video gambling machines. Currently the fee is \$200 per machine of which \$100 goes to local government and \$100 to the state special revenue account. The fee will be raised by \$20 and will go into the state special revenue account for monitoring gaming.

Proponents' Testimony:

Gene Huntington, Gambling Control Division, presented a report from the **Legislative Fiscal Analyst**. **EXHIBIT(fcs17a04)**

Mark Staples, Montana Tavern Association, testified he represents the majority of the 1800 licensees of gambling machines in the state of Montana. They believe in firm regulation and felt the department does a good job of it. When the increase was proposed, the association outlined the needs and rationale at their September convention. He advised the increase is fair and supported the bill.

Rich Miller, Executive Director Gaming Industry Association, supported the bill. He worked on the funding problem with the division and urged passage of the bill.

Rhonda Carpenter, Montana Coin Machine Operators Association, supported the bill as a fair proposal.

Opponents' Testimony:

Mike Fellows, Missoula, expressed concern about potential job losses.

Questions from Committee Members and Responses:

SEN. BUTCHER asked if originally local governments and the state split the \$100.

Mr. Huntington advised yes.

SEN. BUTCHER asked if the state assumed all responsibility for regulation of the machines.

Mr. Huntington stated that was true but part of putting all this together in 1989 was with the idea that local governments wouldn't lose the revenue they had been getting--some sort of hold harmless provision.

SEN. BUTCHER contended local governments get their percentage of gambling revenues, but if this is an administrative fee and local

governments don't do any administration, he asked why add fees rather than simply taking it out of that pot. He felt it was a different purpose than originally intended.

Mr. Huntington advised he visited with a couple of other interim committees that were looking at different things and the history was this had been given to local governments and local governments were very vocal about giving it up.

SEN. MCCARTHY asked about the number of machines in the state of Montana.

Mr. Huntington advised the estimate in the fiscal note was based on averages of the last three years; they were projecting 18,870.

SEN. STAPLETON questioned the appropriation.

Mr. Huntington advised the original appropriation was \$500,000.

SEN. STAPLETON asked about the spending of \$1 million.

Mr. Huntington explained one reason the surplus in the fund is depleted is during the 1990s was money was taken out to cover general fund expenditures. In 1999 when dial-up (**AARS**) was authorized, \$1.9 million was taken from the general fund because that was the amount that had been borrowed previously. All of the money in the state special revenue account has been spent and what remains is general fund.

SEN. STAPLETON asked if no more would be spent for dial-up.

Mr. Huntington advised the remaining appropriation for dial-up is all general fund. The money had to be spent prior to general fund.

VICE-CHAIRMAN TASH asked about the percentage of sign up for dial-up.

Mr. Huntington said dial up was voluntary and when it was approved in 1999, 70% of operators agreed to it. Since that time, there has been litigation and delays but there had been changes in the industry. Some machines that could have been converted to dial-up are not being supported any more. The numbers changed and its going to be voluntary but it is hard to say how many of those signed up the first time have equipment that can be easily converted.

SEN. BUTCHER asked how many licensees have machines.

Mr. Huntington stated there were 18,800 machines used for the estimate and there are about 1600 licensed operators in the state.

Closing by Sponsor:

REP. CALLAHAN closed on the bill.

ADJOURNMENT

Adjournment: 6:10 P.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT (fcs17aad)